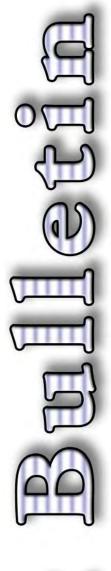
Utah State Tax Commission 210 North 1950 West Salt Lake City, Utah 84134 www.tax.utah.gov



Tax Bulletin 4-06

Effective Date: January 1, 2007

Re: Reduction in statewide sales tax rate on food & food ingredients

Transactions Qualifying for the Reduced Rate

The 2006 Utah Legislature passed House Bill 109 and House Bill 3004 to reduce the state portion of sales and use tax on food and food ingredients from 4.75 percent to 2.75 percent. The reduction is effective for sales occurring on or after Jan. 1, 2007. Added to this rate is the local portion of sales tax equal to the sum of the sales tax rates a county, city, or town imposes on the purchase of food and food ingredients.

"Food and food ingredients" means substances regardless of whether the substances are in liquid, concentrated, solid, dried, or dehydrated form; and that are sold for ingestion or chewing by humans and consumed for the substance's taste or nutritional value. "Food and food ingredients" does not include an alcoholic beverage, tobacco, or prepared food.

Non-qualifying Transactions

If the price of a bundled transaction is attributable to both nonfood items and food and food ingredients, the sales tax imposed on the entire bundled transaction is the sum of a state sales tax imposed at a rate of 4.75 percent plus a local sales tax equal to the sum of the sales tax rates a county, city, or town imposes.

"Bundled transaction" means the sale of two or more items of tangible personal property if one or more of the items of tangible personal property is food and food ingredients and the items of tangible personal property are distinct and identifiable and sold for one price that is not itemized. "Bundled transaction" does not include the sale of tangible personal property if the sales price varies, or is negotiable, on the basis of the selection by the purchaser of the items of tangible personal property included in the transaction.

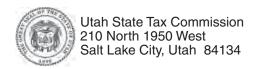
If the transaction is for the purchase of prepared food, the tax imposed on the transaction is the sum of a state sales tax imposed at a rate of 4.75 percent plus a local sales tax equal to the sum of the sales tax rates a county, city, or town imposes.

"Prepared food" means food sold in a heated state or heated by a seller; two or more food ingredients mixed or combined by the seller for sale as a single item; or food sold with an eating utensil provided by the seller, including a plate, knife, fork, spoon, glass, cup, napkin, or straw. "Prepared food" does not include food that a seller only cuts, repackages, or pasteurizes; or is a raw egg, raw fish, raw meat, raw poultry; or a food containing these items if the Food and Drug Administration recommends that a consumer cook the items to prevent food borne illness. "Prepared food" does not include items sold without eating utensils that are sold by a food manufacturer other than a bakery and tortilla manufacturer; that are sold singly in an unheated state by weight or volume; or that are bakery items including a bagel, bar, biscuit, bread, bun, cake, cookie, croissant, danish, donut, muffin, pastry, pie, roll, tart, torte, or tortilla. An eating utensil provided by the seller does not include a container or packaging used to transport the food.

Seller Discount

A seller that files monthly may retain 1.31 percent of state and local sales taxes due to the Tax Commission. This includes transactions for food and food ingredients. In the case of food and food ingredients sold at the 2.75 percent state sales tax rate, the seller discount will be calculated as if the food and food ingredients had been sold at the full 4.75 percent state sales tax rate.

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Rebate Claim Eligibility and Request

The adopted legislation appropriated funds to partially reimburse certain business locations for computer hardware, software, and programming costs incurred to comply with the reduced sales and use tax rate.

A business location/outlet may qualify for a rebate of expenses for computer hardware, software, and programming incurred to comply with the reduced rate. To qualify for the rebate, a business location or outlet must have remitted a minimum of \$15,000 in sales and use tax during 2005 and remitted sales and use tax on food and food ingredients before March 1, 2006. The expenses must occur after May 1, 2006 and by Dec. 31, 2006. Information on eligibility requirements is available at tax.utah.gov/sales/rebateclaim.html.

If all eligibility requirements are met, a business location/outlet may submit a rebate request. The business location/outlet must complete and submit TC-61RCF, 2006 Rebate Claim Form, by U.S. mail to the Tax Commission. Each amount submitted for rebate consideration must have supporting documentation. The rebate claim form and supporting documentation must be postmarked on or before Dec. 31, 2006.

Rebate Claim Process

The Tax Commission will review all rebate claims. Rebate claims may be prorated depending on fund availability and amount of rebate claims. As a result, the entire fund available to pay rebate claims will be distributed in one mailing to all eligible claimants.

Additional Rebate Information

Information regarding the rebate claim and eligibility requirements is available at **tax.utah.gov/sales/rebateclaim.html**, on page 3 of form TC-61RCF, by email to **TaxMaster@utah.gov**, or by calling (801) 297-7705 or toll free 1-800-662-4335 ext. 7705.

QUESTIONS...

E-mail: taxmaster@utah.gov

Internet: tax.utah.gov Phone: (801) 297-2200 Toll Free: 1-800-662-4335 TDD: (801) 297-2020

Changes in Utah laws or Tax Commission rules may supersede this Tax Bulletin. For the most current guidance relating to state and local taxation, including local sales tax rates, visit the Tax Commission's Internet website at tax.utah.gov.